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CHINA - RAILWAY TRANSPORTATION

A. POLICIES

1. The current basic objectives of the Chinese National Government with respect to railroads are: (a) restoration of war-damaged or destroyed lines; and (b) modernization wherever peaceful conditions permit. The Ministry of Communications has given first priority to the repair of the Tientsin-Nanking (Pukow) main line. Long-range Chinese rail policy, originally expressed by Sun Yat-sen, and reiterated by Chiang-Kai-Shek, involves an eventual railway network of 140,000 kilometers (present system about 14,000 kms.). This ambitious and presently unrealistic goal is considered by Chinese planners to be indispensable to China's economic development and political unification.

The present National Government has indicated a determination to exclude foreign interests from ownership and operation of future Chinese rail developments. Control will be vested in the National and Provincial Governments. (A conciliatory statement of the Ministry of Communications in 1945, inviting foreign capital to participate in the development of China's transportation, was careful to emphasize that the ultimate aim would be state ownership.)

2. Strong centralized control of railways is effected through the Ministry of Communications, which is responsible for all transportation, including civil aviation.
3. Strategic factors now dominate Chinese rail policy, particularly in Northeastern China. Even in south China, it is important to keep the railroads operating wherever possible for logistic reasons. Military operations in the civil war are directed largely toward control, disruption or reinstatement of rail lines.
4. The Chinese rail system is government-owned and is entirely dependent on government support. The operating losses of the individual government-owned lines are absorbed by the national treasury, and construction projects can only be accomplished as outright government undertakings. Although new construction is still effectively precluded by China's economic crisis, the Chinese Army is engaged in some patching up of damaged lines.
5. Vested interests do not appear to play an important role in influencing Chinese rail policy. On the other hand, railway policy clearly reflects historical, geographic, economic and political conditions.

The basic factors underlying modern Chinese history have prevented the development of an extensive nation-wide railway

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network. The same circumstances, in fact, have operated to stifle any substantial industrialization, and have thus removed some of the incentive which impels railroad construction in areas possessing more advanced economies. Nevertheless, the same geographic conditions which have distributed the Chinese population unequally (difficult terrain, divergences in rainfall and fertility, the location of ports and raw materials, and the river pattern, particularly that of the navigable streams) originally influenced the development of Chinese railroads. Out of these factors emerged economic requirements, such as the need for moving provincial raw materials to the population centers and for distributing food. These conditions have demanded, frequently without satisfaction, a suitable adaptation of the means of transport. Likewise, political conditions have reacted on railway policy. One of the cardinal political principles of Sun-Yat-sen was the removal of foreign privileges. The logical result of this nationalistic philosophy has been the exclusion of foreign ownership and operating control from Chinese railroads. The inevitable price of this policy, however, is an increased reluctance on the part of foreign capital to support the expansion of Chinese rail facilities.

Overriding the foregoing considerations, the exigences of war have dominated Chinese policy for more than a decade. Chinese thinking has viewed the railroads almost exclusively in the focus of military events; these facilities, a source of defensive strength, have been repeatedly the objective of enemy operations.

B. ORGANIZATION

1. The Minister of Communications in the central Chinese Government controls railroads and all other forms of transportation, including civil air.
2. The Railway and Highway Department is charged by Article VII of the Organic law of the Ministry of Communications with the following far-reaching railway responsibilities:
 - (a) planning and construction;
 - (b) control of operations and subsidiary activities;
 - (c) engineering and mechanical problems;
 - (d) supervision of public and privately owned lines; and
 - (e) all other railway matters.

The Railway and Highway Department has jurisdiction over the following subdivisions concerned with railroads:

- (a) administrations of the various railway systems, which operate under and are responsible to the Ministry of Communications;

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- (b) General Office of Railway Survey; and
 - (c) Railway Traffic Office
3. Transportation problems involving other Ministries such as Foreign Affairs, Water Conservancy, Interior or Economic Affairs are jointly studied, but final decision usually rests with the Ministry of Communications. Major conflicts on matters primarily concerned with transportation can be carried to the Executive Yuan or the Generalissimo. There is a tendency in the Chinese Government to allow Ministries other than that of Foreign Affairs to decide matters involving foreign policy. Sino-Russian railroad matters, for example, would be discussed by the Ministry of Communications directly with the Russian Embassy.
4. The Department of Railways and Highways was established at the close of World War II. Previously rail administration had been in the hands of a Railway Ministry. The need for increased efficiency and greater coordination caused the Chinese Government to delegate responsibility for railroads to the Ministry of Communications.
5. The Ministry of Communications, through the Department of Railways and Highways, undoubtedly attempts to operate the railroads in the public interest. The factors which prevent the Chinese railroads from satisfying more than a fraction of China's transportation needs are entirely beyond the control of the able Minister of Communications, General Yu Ta-wei, who was trained in German and US (Harvard) Universities. The insoluble problems include vast equipment shortages, commandeering of facilities by the military, track removals or destruction incident to the civil war, and inadequacy of national funds for railroad reconstruction operations.

C. ADMINISTRATION

1. Recommendations for the construction of new lines and the extension of existing lines are submitted by the Ministry of Communications to the Executive Yuan for final decision. The National Defense Minister, however, may decide independently that the prosecution of the civil war demands the development of rail facilities.
2. Prior to World War II, each railway Administration proposed a rate structure which was intended to cover operating costs or perhaps net a modest profit. After approval by the Ministry of Communications, these rate schedules were submitted to the Executive Yuan for final decision.

Rate determination for all forms of transport is now complicated by the severe inflationary trend of prices. Rates are no longer intended to cover operating costs; rather, a system of govern-

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ment support amounting to subsidization has been introduced in lieu of increased rates. While rates are occasionally increased, they lag behind the inflation of prices generally. The Executive Yuan appears to believe that price increases will be retarded if utility rates are kept low.

3. No competition exists in railway transportation, as the railways are all owned and operated by the Chinese Government. Other media of transportation, moreover, are so poorly organized that their competition is not seriously felt by the railways.
4. With respect to railway operation, regulations govern the inspection of equipment, choice and employment of personnel, and investigation of accidents. The Ministry of Communications can issue regulations of a purely administrative nature; the Executive Yuan establishes major regulations of an administrative or policy nature; and the Legislative Yuan and State Council adopt statutory regulations.
5. Training programs were stressed by Dr. Sun Yat-sen in the early days of the Republic. More recently, Generalissimo Chiang Kai-shek, in his book, "China's Destiny" asserted that the universities and vocational schools should produce the following:

Civil Engineers	222,400
Mechanical Engineers	136,400
Electrical Engineers	41,600
Navigation Technicians	7,000
Transport Specialists	37,000

Aware of the lack of trained personnel, the national government sent 1,200 young students in 1944 to the US for training in engineering and management at universities and in private industry.

6. The Chinese railway network is connected with foreign territory only by the Kuming Haiphong (Indo-China) line, and the Manchurian line running east from Manchouli through Harbin to the Soviet frontier above Vladivostok. The China-Indo China line is the subject of a new Sino-French agreement, concluded in February, 1946. Under the terms of this agreement, there shall be free exchange of traffic and equipment on the sections of the line owned by the two countries within their respective territories. Rates are to be established by a joint commission. Actually, however, the agreement cannot begin to operate until necessary bridge reconstruction and other rehabilitation has been completed within China.

The status of the Manchurian railways is regulated by an Agreement accompanying the Sino-Soviet Treaty of Friendship and Alliance, concluded in 1945. This agreement specifically covers the trunk lines from Dairen to Harbin and from Manchouli

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through Harbin to Suifenho, north of Vladivostok. Joint ownership and exploitation of these lines is stipulated. The USSR is given free transit of goods from the Soviet naval base at Port Arthur and the free port of Dairen to the system's connections with Soviet territory. The Chinese Civil War, however, has made it impossible for the Chinese to keep the Manchurian lines in operation. Whole sections of trunk lines are in continuous Chinese Communist control, while other sections held by the Nationalists, are sporadically cut by the communists. After thirty years the lines now jointly owned will revert to the full possession of the Chinese Government.

7. Prior to World War II the Chinese railroad systems were required to submit detailed data on operations, as evidenced by the excellent government railway reports of that period.

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